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## COMPARATIVE ANALYSIS OF KPMG AND EY

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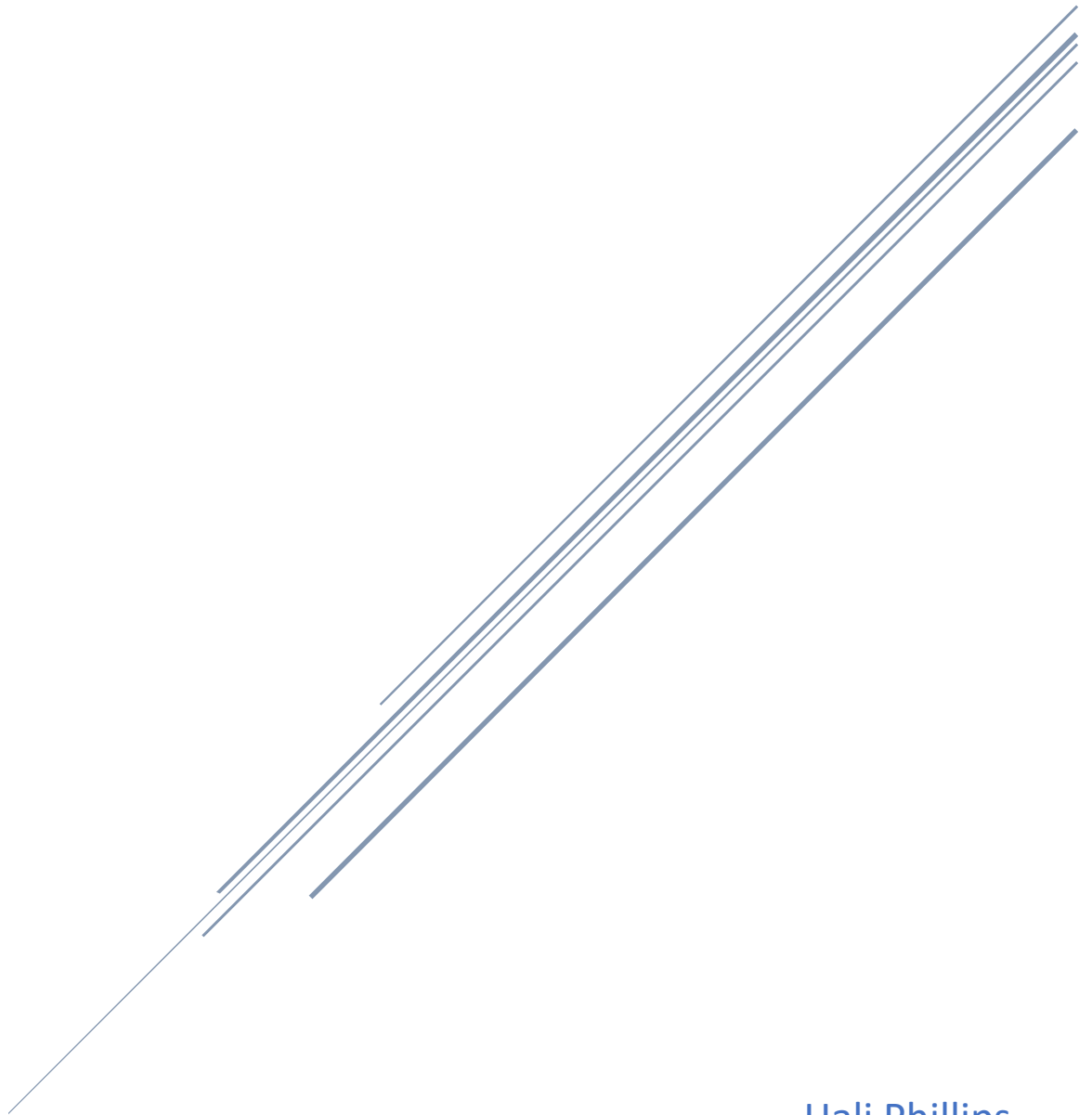
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# COMPARATIVE ANALYSIS OF KPMG AND EY



Hali Phillips  
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## Introduction

In the accounting field there are the “Big 4” which as the names implies are the largest 4 accounting firms in world. These firms provide an extensive range of auditing and assurance services (Big 4 Accounting Firms). They are also huge employers and career development centers. The members of this internationally renowned group are Deloitte, PwC, EY, and KPMG (Big 4 Accounting Firms). Below is a brief analysis of two of these firms, KPMG and EY.

## KPMG

KPMG is a global network of accounting firms providing audit, tax, advisory, special interest, and industry-specific industries (Big 4 Accounting Firms). When accounting was being transformed into a profession in the late eighteenth and nineteenth century by the industrial revolution, the four founding fathers, as they are called, were center stage (Who we are. n.d.). By 1891, William Barclay Peat (the P in KPMG) had assumed leadership of a firm after starting his accounting career at age 17. Scottish immigrants James Marwick (the M in KPMG) and Roger Mitchell established an accounting firm in New York City in 1897 (Who we are. n.d.). The K in KPMG comes from Piet Klynveld. In 1917, he opened a small accounting firm in Amsterdam that grew into the largest accounting firm in the Netherlands. The final founding father, Reinhard Goerdeler (the G in KPMG) comes into the KPMG story almost a half century later in 1953 when he joined Deutsche Treuhand-Gesellschaft (Who we are. n.d.).

In 1911, Peat and Mitchell meet on an Atlantic crossing from Europe to America. By the time the journey was over, the two had planned a merger of their firms to become Peat, Marwick, Mitchell & Co. (Who we are. n.d.). By 1978 Peat, Marwick, Mitchell & Co was growing

rapidly, implemented a new structure, and was renamed to Peat Marwick International (PMI).

Klynveld Kraayenhof & Co joined forces with DTG and McLintock Main Lafrentz to form Klynveld Main Goerdeler (KMG). In 1986, PMI merged with KMG and by the time the merger was announced to the public on January 1, 1987 the companies renamed to Klynveld Peat Marwick Goerdeler and at the time was the largest merger in history of the accounting industry (Who we are. n.d.).

### Services Offered

KPMG offers 4 main services; audit & assurance, tax & legal, advisory, and enterprise. The most well-known service they offer is the audit & assurance. The role of an audit and auditors is to give assurance about the information used by investors and the capital markets. KPMG auditors take this role very seriously and apply powerful data analytics routines to create better audit evidence and gain better insight (Services. n.d.). KPMG is a tax leader in the industry and works with companies to define and build their ideal targeting operating model, enabling their departments to adept to regulatory change (Services. n.d.).

The advisory segment of the company works with senior leadership across functional areas to apply expertise and deep industry knowledge to develop innovative technology-driven solutions to solve business challenges (Services. n.d.). KPMG also has an enterprise segment that works with companies of all size to help them navigate challenges. Companies also get access to KPMG's global resources through a single point of contact (Services. n.d.).

### Company Size

The firm operates in 153 companies, employing over 207,000 employees (Who we are. n.d.). The firm's network had very strong results in 2018. The firm added over 39,000 graduates

and entry-level professionals to grow to the 207,000 employees, which is the largest number employed by the firm (Global Review 2018. n.d.). For FY18, the combined global revenue was \$28.96 billion, which was a 7.1% growth in local currency. This breaks down by function as follows: Audit - \$11.15 billion, Tax - \$6.34 billion, and Advisory - \$11.47 billion (Global Review 2018. n.d.).

The firm's employment by region breaks down as follows: Americas – 57,447, EMA – 106,396, Asia Pacific – 43,207. The workforce in the firm is 53% male and 47% female. Also, in KPMG's largest 10 firms, 28% of new partners promoted internally were female (Global Review 2018. n.d.).

## EY

Ernst & Young started off as two different companies. In 1903, Ernst and Ernst were created in Cleveland, Ohio. In 1906, Arthur Young and Company was created in Chicago, Illinois. While each company was created around the same time period, the original founders never met (Winston, 2017). Over eighty years later, the two companies merged to become one of the largest public accounting firms in the United States. Ernst & Young, now known as EY, offers four service lines: Assurance, Advisory, Tax, and Transaction Advisory Services (What we do, 2019).

### Services Offered

The Assurance line focuses on EY's audit practice. According to EY's 2018 Global Review, assurance is the largest employment sector with 88,849 auditors on staff. The assurance sector also comprised of 36% of total revenues for 2018. The \$12.6 billion earned in 2018 is up from \$11.6 billion in 2017 and \$11.3 billion in 2016 (EY's Global Review 2018, 2019).

The second largest service line that EY offers is their Advisory line. The advisory services focus on helping companies “transition to customer-centric business models and become trusted organizations to their customers” (Customer, 2019). EY employs 59,794 people in the advisory service line and earned \$9.6 billion in revenues during 2018 (EY’s Global Review 2018, 2019).

EY’s third service line is the Tax service line. For 2018, EY reported having 53,008 employees focusing on this line and revenues of \$9 billion (EY’s Global Review 2018, 2019). This revenue amount is up from \$8.2 billion in 2017 and \$7.8 billion in 2016. This service line focuses on “tax accounting issues, policies, processes, procedures and controls” (Tax accounting and risk advisory services, 2019).

EY’s final service line is Transaction Advisory Services, or TAS for short. This service focuses on helping top-management “achieve maximum value for their organization” (Strategy Services, 2019). EY reported having 15,246 employees that focus on this line and recorded revenue of \$3.6 billion in 2018 (EY’s Global Review 2018, 2019). This revenue amount is u from \$3.1 billion in 2017 and \$2.7 billion in 2016.

### Company Size

As of 2018, EY employed a total of 261,559 people (EY’s Global Review 2018, 2019). Of this amount, the largest concentration of employees falls in the EMEIA region. The EMEIA region is comprised of Europe, the Middle East, India, and Africa. The second largest concentration of employees is in the Americas, with Asia-Pacific being the third largest. EY also has office locations in over 150 countries around the world (Our Locations, 2019).

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